

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1697 - SB 1789

February 1, 2016

SUMMARY OF BILL: Authorizes a pharmacy to designate a pharmacy services administrative organization (PSAO) or other agent to file and handle its appeal of a maximum allowable cost of a drug or medical product or device. Defines a “pharmacy services administrative organization” as an entity that provides contracting and other administrative services to pharmacies to assist them in their interaction with third-party payers, pharmacy benefits managers, drug wholesalers, and other entities.

ESTIMATED FISCAL IMPACT:

On January 19, 2016, a fiscal note was issued estimating a fiscal impact as follows:

NOT SIGNIFICANT

Due to information received from TennCare after the issuance of this fiscal note, the impact has been determined to be in error. Based upon additional information the estimated impact is:

(CORRECTED)

Increase State Expenditures - \$347,600

Increase Federal Expenditures - \$645,100

Corrected assumptions:

- According to information provided by the Division Benefits Administration, this legislation codifies the existing practice of the Division’s pharmacy benefit manager; therefore, there will be no significant impact on any state or local health plan administered by the Division.
- According to information provided by the Bureau of TennCare, this legislation will result in a significant impact with regards to appeals for higher maximum allowable cost (MAC) rates.
- During the three-month period between September 1, 2015 and November 30, 2015, the Bureau experienced 66 MAC retroactive price increases of which all were awarded to pharmacies which appealed the MAC rate.

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- The successful appeals resulted in the appealing pharmacies resubmitting cost reimbursements to the Bureau at the higher MAC rate.
- In the case of the 66 appeals, the appealing pharmacies were paid for 104 claims, affecting 7,412 individual doses. The total cost increase was \$3,221.98.
- This legislation would allow a pharmacy services administrative organization (PSAO) to utilize information applied in one appeal for one of the pharmacies it represents and appeal on behalf of other pharmacies in order to also collect reimbursement at the higher MAC rate.
- According to information provided by the Bureau, if PSAOs and chain pharmacies alone reversed all claims in the 3-month range as mentioned above, there would be approximately 26,195 additional claims and a total increase in expenditures of \$248,192.
- Extrapolated for an entire year, the total increase in expenditures would be \$992,768 (\$248,192 x 4 yearly quarters).
- These expenditures would receive 64.983 percent federal matching funds; therefore, the state portion is at a rate of 35.017 percent.
- A recurring increase in state expenditures of \$347,638 (\$992,768 x 0.35017).
- A recurring increase in federal expenditures of \$645,130 (\$992,768 x 0.64983).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb